



Date: April 18, 2011

To: Thomas J. Bonfield, City Manager

Through: Wanda S. Page, Deputy City Manager
David Boyd, Finance Director

From: Joseph W. Clark, Financial Operations Manager

Subject: Contract for Collection Agency Services

Executive Summary

The contract under consideration will provide the General Billing and Collections division of the Finance Department with the services of a collection agency. Retaining the use of a collection agency was a recommendation in a recent audit that focused on the collection of revenues from water and sewer fees as well as storm water and solid waste fees. The use of a collection agency for delinquent receivables is considered as a best practice in the utility industry. Funding for this contract is available from the revenues collected.

In November 2010, staff issued a Request for Proposal (RFP) for the purpose of selecting a collection agency to perform collection services for delinquent receivables. Twelve responses were received and ten were considered responsive and evaluated.

A group of staff members from the Finance Department, Water Management Department, and the Equal Opportunity/Equity Assurance Department evaluated the responses and Professional Recovery Consultants, Inc. received the highest score.

Professional Recovery Consultants has extensive experience collecting delinquent utility accounts. In addition to being a locally owned and operated company, Professional Recovery Consultants is Professional Practices Management System (PPMS) certified by the Association of Credit and Collection Professionals (ACA). PPMS is a management system for collection agencies based upon developing, implementing and adhering to a set of industry-specific professional practices and policies.

The Equal Opportunity/Equity Assurance Department reviewed the proposal submitted by Professional Recovery Consultants, Inc. of Durham, North Carolina and have determined that they are in compliance with the Ordinance to Promote Equal Business Opportunities in City Contracting.

Recommendation

That the City Manager be authorized to enter into a contract with Professional Recovery Consultants, Inc. for providing the City with Collection Agency Services and that they be compensated in the amount of 19% of the revenues collected.

Background

In November 2010, staff issued a Request for Proposal (RFP) for selecting a collection agency to perform collection services for delinquent receivables. Twelve responses were received and ten were considered responsive and evaluated.

Retaining the use of a collection agency was a recommendation in a recent audit that focused on the collection of revenues from water and sewer fees as well as storm water and solid waste fees. The use of a collection agency for delinquent receivables is considered a best practice in the utility industry.

Issues/Analysis

A group of staff members from the Finance Department, Water Management Department, and the Equal Opportunity/Equity Assurance Department evaluated the responses. The evaluation scores are listed below:

<u>Agency</u>	<u>Rating</u>
Professional Recovery Consultants, Inc. Durham, North Carolina	90
Penn Credit Harrisburg, Pennsylvania	88
J.L. Walston & Associates Durham, North Carolina	85
Municipal Services Bureau Austin, Texas	75
Unifund Government Services Cincinnati, Ohio	75
Credit Financial Services Durham, North Carolina	74
Online Collections Winterville, North Carolina	74
United Adjustment Corporation Kentland, Indiana	74

Interstate Credit Collections Winston-Salem, North Carolina	69
St. John Cobb, Inc. Davidson, North Carolina	65
TekCollect Columbus, OH	* Non-Responsive
Creditech Bangor, PA 18013	* Non-Responsive

* TekCollect and Creditech failed to complete the required Equal Business Opportunity Program forms and therefore were deemed as non-responsive.

The Administration recommends entering in to a contract with Professional Recovery Consultants. The initial term of the contract will be three years. The fee paid to Professional Recovery Consultants will be 19% of the delinquent revenues collected.

Professional Recovery Consultants has extensive experience collecting delinquent utility accounts. Their current and former client list includes the City of Charlotte, City of Raleigh, City of Claremore, Oklahoma, Union County, North Carolina, Branch Banking & Trust, Carolina First Bank, Comporium Communications, Energy United, Integrys, North Carolina Specialty Hospital, RBC Bank, and the UNC Hospital System.

In addition to being a locally owned and operated company, Professional Recovery Consultants is Professional Practices Management System (PPMS) certified by the Association of Credit and Collection Professionals (ACA). PPMS is a management system for collection agencies based upon developing, implementing and adhering to a set of industry-specific professional practices and policies. Currently, there are less than 60 agencies in the world that have achieved and maintained this certification.

While the details have yet to be finalized, it is anticipated that Professional Recovery Consultants would be referred accounts on which the City has exhausted its internal collection efforts and that have aged to 180 days past due. The type of accounts would not be limited to any one type of bill and may include delinquent water & sewer utility bills, and other General Billing for which the City bills such as demolition fees, false alarms, assessments, fire inspections, civil penalties, city/county inspection fees, landfill tipping fees, weedy lot board & clean fees and others.

Professional Recovery Consultants will be authorized to use any collection methods allowed by law under the Fair Debt Collection Practices Act (FDCPA). These methods may include written communication, telephone calls, skip tracing, credit reporting and litigation.

Alternatives

Staff could continue to pursue collection of delinquent accounts without the services of a collection agency, however; the Administration believes collection rates will be increased through utilization of these services. The use of a collection agency is a best practice and a necessary tool to assist with the collection of delinquent accounts.

Financial Impact

Funding for this contract is available from the revenues collected.

Currently there is a total of more than \$6 million in accounts that have been outstanding for more than 180 days. If the contractor were to collect 100% of this amount, its 19% fee would amount to compensation in the amount of \$1.2 million. It is unlikely, however, that such results will be achieved but the administration has included this figure to provide some context around the contractor's potential compensation. Actual payments will be based strictly upon amounts actually collected through the contractor's efforts.

SDBE Summary

The Equal Opportunity/Equity Assurance Department reviewed the proposal submitted by Professional Recovery Consultants, Inc. of Durham, North Carolina and has determined that they are in compliance with the Ordinance to Promote Equal Business Opportunities in City Contracting.

SDBE REQUIREMENTS

No MSDBE or WSDBE goals were set.

WORKFORCE STATISTICS

Workforce statistics for Professional Recovery Consultants, Inc. are as follows:

Total Workforce	90
Total Females	64 (71%)
Total Males	26 (29%)
Black Males	5 (6%)
White Males	20 (22%)
Other Males	1 (1%)
Black Females	26 (29%)
White Females	34 (38%)
Other Females	4 (4%)